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UNITED STATES OF AMERICA POSTAL REGULATORY COMMISSION WASHINGTON, DC 20268-0001

Before Commissioners: Robert G. Taub, Acting Chairman;

Nanci E. Langley, Vice Chairman;

Mark Acton; and Tony Hammond

Competitive Product Prices
Priority Mail Contract 186 (MC2016-71)
Negotiated Service Agreement

Docket No. CP2016-86

ORDER APPROVING AMENDMENT TO A PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued July 5, 2016)

I. INTRODUCTION

The Postal Service seeks to amend the terms of Priority Mail Contract 186.¹ The Commission approves the Amendment.

In Order No. 3001, the Commission approved Priority Mail Contract 186 negotiated service agreement (Existing Agreement).² On July 1, 2016, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 186, with Portions Filed Under Seal, July 1, 2016 (Notice). The amendment is an attachment to the Notice (Amendment).

² See Docket Nos. MC2016-71 and CP2016-86, Order Adding Priority Mail Contract 186 to the Competitive Product List, January 7, 2016 (Order No. 3001).

See Notice. The Amendment makes changes to section I.F. of the Existing Agreement by extending Tier 3 SSC pricing until December 31, 2016. See id. Attachment A at 1.

In all other respects, the Existing Agreement remains unchanged. *See generally* Notice, Attachment A. The Notice states that the Amendment will not materially affect the Existing Agreement's cost coverage. Notice at 1. The Postal Service intends for the Amendment to become effective one business day after the date the Commission completes its review of the filing. *Id*.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment does not affect the cost coverage or compliance with existing regulatory requirements for the Existing Agreement. The Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective one business day after the date that the Commission completes its review. Notice at 1. The Amendment does not alter the Existing Agreement's expiration date.

III. ORDERING PARAGRAPH

It is ordered:

The Commission approves the Priority Mail Contract 186 negotiated service agreement, as amended.

By the Commission.

Ruth Ann Abrams Acting Secretary